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August 28, 2003

BY HAND

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
One South Station
Boston, MA 02110

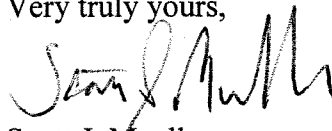
Re: D.T.E. 03-72 - Fitchburg Gas and Electric Light Company

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced proceeding on behalf of
Fitchburg Gas and Electric Light Company, please find an original and eight (8) copies of
the Supplemental Testimony of Mark H. Collin.

Thank you for your attention to this matter.

Very truly yours,



Scott J. Mueller

SJM/va
Enclosures

cc: Kevin F. Penders, Esq., Hearing Officer
Mark H. Collin, Unitil Service Corp.
Gary Epler, Esquire, Unitil Service Corp.

(b90538)

1 **THE COMMONWEALTH OF MASSACHUSETTS**
2 **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

3
4 **FITCHBURG GAS AND ELECTRIC LIGHT COMPANY**

5 **D.T.E. 03-72**

6 **SUPPLEMENTAL TESTIMONY OF MARK H. COLLIN**
7

8 Q. Please state your name, title and business address for the record.

9 A. My name is Mark H. Collin. My business address is 6 Liberty Lane West,
10 Hampton, New Hampshire, 03842. I am Senior Vice President, Chief Financial
11 Officer and Treasurer for Unitil Corporation, and the treasurer of its utility
12 subsidiary in the Commonwealth of Massachusetts: Fitchburg Gas and Electric
13 Light Company ("FG&E" or the "Company").
14

15 Q. Have you previously submitted pre-filed testimony in this proceeding?

16 A. Yes I did. On August 12, 2003, I submitted pre-filed direct testimony in support
17 of FG&E's petition, dated July 31, 2003, for authorization to issue promissory
18 notes evidencing unsecured long-term debt in an aggregate principle amount not
19 to exceed \$10,000,000 (hereinafter referred to as the "Notes").
20

21 Q. What is the purpose of your supplemental testimony?

22 A. The purpose of my supplemental testimony is to update the Department with
23 regard to the progress that has been made in placing the proposed Notes, the key

1 terms of proposed Notes, and to further support the private placement of these
2 Notes and reasons why the Company is seeking a waiver from the competitive
3 bidding provisions of M.G.L. c. 164, ¶15.

4
5 Q. What is the status of FG&E's effort to secure a private placement of the Notes?

6 A. On August 19, 2003, FG&E committed (subject to regulatory approval) to a
7 private placement of the Notes with Pacific Life Insurance Company. Based upon
8 the results of Merrill Lynch's marketing efforts and a competitive solicitation
9 process conducted by Merrill Lynch, the coupon rate of 6.79% for this Note
10 issuance was locked in by selecting Pacific Life Insurance Company, which was
11 the most competitive offer received from institution investors for the purchase of
12 the Notes. This rate reflects a spread of 195 basis points over the interpolated
13 treasury yield of 4.84% at the time of pricing and is indicative of a BBB
14 investment grade rating. A letter from Ms. Rosalie Valladares, Associate, Merrill
15 Lynch, which provides further details of the marketing and bidding process and
16 other key aspects of the transaction, is attached as Schedule H. FG&E is very
17 pleased with the results of this private placement, particularly given that FG&E
18 has been able to "lock-in" this important source of long-term debt financing for a
19 period of 22 years.

20
21 Q. What are the other key terms and conditions of the Notes?

22 A. In addition to the coupon rate of 6.79% and the term of 22 years, other key terms
23 and conditions include: the transaction has an average life of twenty years from

1 the date of issuance and sale; the Notes are to be ranked *pari passu* (having the
2 same rights and privileges) with the Company's other senior unsecured debt; the
3 Notes are callable over the life of the issue (as described below); and beginning
4 on the 18th anniversary of the date of issue and on each of the following
5 anniversary dates, the Company will make a required annual sinking fund
6 payment of \$2,000,000 (an optional doubling of the sinking fund payments is
7 described below). These terms and conditions are consistent with FG&E's
8 currently outstanding long-term note agreements, which have previously been
9 approved by the Department. A copy of the Summary of Principal Terms of this
10 private placement is attached as Schedule I.

11
12 Q. Please discuss in more detail the call feature of the Notes.

13 A. The prospective Long-term Notes are callable at an amount equal to par plus
14 accrued interest and a "make whole" premium. Beginning on the 20th anniversary
15 of the date of issuance, the redemption price will be 100% of the principal amount
16 of the Notes. In other words, there is no "make whole" premium in the last two
17 years of the life of the Notes.

18
19 Additionally, beginning on the 18th anniversary of the date of issuance and the
20 start of the required sinking fund, the Company may make an optional sinking
21 fund payment of \$2,000,000, the amount of each annual sinking fund. Two
22 optional annual payments are permitted. This option allows the Company to
23 further reduce the life of the issue without paying a "make whole" premium.

1 Together, these call and sinking fund features provide the Company with
2 additional flexibility to optimize the timing and site of future securities offerings.
3

4 Q. Please explain in greater detail how a Department exemption from the bid
5 solicitation requirement of M.G.L. c. 164, ¶15 would be advantageous to
6 ratepayers?

7 A. FG&E has requested an exemption from the advertising and competitive bidding
8 requirements of M.G.L. c. 164, ¶15 because it believes that the private placement
9 competitive solicitation process conducted by Merrill Lynch reduces the overall
10 cost of the proposed financing for FG&E and its customers. FG&E, in
11 consultation with Merrill Lynch, believed that a private placement would be less
12 expensive than a public placement due to the relatively small size of the issuance,
13 the resulting lack of sufficient market liquidity of such an issuance and the higher
14 fixed costs associated with such a public offering. FG&E submits that the results
15 of the private placement and the favorable terms of the Notes fully supports the
16 exemption request, from both a company and customer perspective.
17

18 Schedule H, which is the letter from Merrill Lynch, further supports FG&E's
19 request for an exemption.
20

21 Q. Does this conclude your testimony?

22 A. Yes, it does.

Global Markets & Investment Banking

August 20, 2003

Mark H. Collin
Charles J. Kershaw Jr.
Unitil Corporation
6 Liberty Lane West
Hampton, NH 03842-1720

Dear Mark and Chuck:

Congratulations on your recent pricing of \$10,000,000 Unsecured Promissory Notes for Fitchburg Gas and Electric Light Company. The private placement market's reception to the 22 year final, 20 year average life structure was evidence of investor's confidence in the Fitchburg credit and Unitil management team.

Despite adverse market conditions for the utility sector, Fitchburg's recent transaction resulted in a pricing comparable to public bond levels. A public transaction for Fitchburg would not have been feasible given the fact in today's market, a minimum transaction size of \$200,000,000 would have been necessary to provide sufficient liquidity. Since the transaction was smaller a significant premium would have been charged for illiquidity. Also, a public bond offering would require at least two ratings. These factors eliminated the possibility of a public style transaction.

The Fitchburg marketing process began the week of August 4, 2003. The private placement memorandum was mailed to no more than 20 institutional investors. The marketing of the transaction was done in an "auction" format. This format was chosen in order to allow a competitive bid process that would result in the lowest cost for a small size transaction. The bids we received range from a minimum spread of 195bps to a maximum of 205bps. These bids are indicative of a BBB investment grade rated long term public bond for a utility company. All spreads were quoted over an interpolated 20 year US Treasury. We priced the transaction with the lowest bid over the U.S. Treasury yield and resulted in a coupon of 6.79%.

Several factors determined the outcome of the coupon rate. The coupon rate is set at a spread over an interpolated 20 year U.S. Treasury. In order to arrive at this Treasury yield, I interpolated between the 4.25% due August 2013 (10yr US Treasury) and the 5.375% due February 2031 (30yr US Treasury). A premium for liquidity, credit, sector and event risk are added to the current yield of the treasury. Despite these risk factors the Fitchburg transaction was priced at a comparable spread to public bonds. Should the Company have pursued a public offering the spread would have been significantly greater. While it is impossible to determine an exact level because there is no market for a public offering of \$10,000,000 in size, it is our opinion that given the industry, lack of size and ratings, a public Fitchburg transaction would have probably priced greater than 350bps, or 8.34% versus 6.79%, plus greater upfront costs.

Global Markets & Investment Banking

Furthermore, in order to issue a public offering several costs are involved. The table below is a comparison of expenses and fees involved with a public offering versus a traditional private placement:

	<u>Public Offering</u>	<u>Traditional Private Placement</u>
Issuer's Counsel:	\$100,000 - \$175,000	\$40,000
Noteholder's Counsel:	N/A	\$25,000
Trustee Expenses:	\$10,000 - \$15,000	N/A
Rating Agency Fees:	\$130,000	N/A
Accountant's Fee:	\$15,000	N/A
Shelf Registration:	\$80.90 per million	N/A
Printing Expenses & Miscellaneous:	\$65,000-85,000	\$10,000
Placement Fee:	\$87,500	\$100,000
Total:	\$408,309-508,309	\$175,000

From the comparison table above it is evident the private placement market provides issuers with small financing needs to tap the debt markets in a cost-effective manner.

Merrill Lynch appreciates the continued opportunity to work with Unitil and Fitchburg, and I hope we can continue to be of service to you in the future. If there is anything else I can help you with, please do not hesitate to call me at (212) 449-1719.

Sincerely,



Rosalie Valladares
Associate

Fitchburg Gas and Electric Light Company Summary of Principal Terms

Issuer	Fitchburg Gas and Electric Light Company (the "Company").
Issue	Unsecured Promissory Notes (the "Notes").
Principal Amount	\$10,000,000.
Noteholders	Pacific Life Insurance Co.
Placement Agent	Merrill Lynch & Co.
Final Maturity	22 years from the date of Takedown.
Average Life	20 years from the date of Takedown.
Interest Rate	6.79%, a spread of 195 basis points over an interpolated 20 year U.S. Treasury Note yield at the time of commitment. Interest will be payable semiannually in arrears.
Offering Price	100% of Principal Amount.
Takedown	Approximately October 15, 2003.
Use of Proceeds	Refinancing existing short-term debt and for general corporate purposes.
Ranking	The Notes shall rank pari passu with the Company's other senior unsecured debt.
Sinking Fund	<p>Beginning on the 18th anniversary of the date of issue of the Notes and on each of the following anniversary dates, the Company will make a required annual sinking fund payment of \$2,000,000.</p> <p>At the same time it makes any required sinking fund payment, the Company shall have the option (which shall be non-cumulative) to make a payment to the sinking fund, in immediately available funds, of an additional principal amount of Two Million Dollars (\$2,000,000); <i>provided</i>, that the cumulative amount of all such optional sinking fund payments shall not exceed Four Million Dollars (\$4,000,000) and each such optional sinking fund payment shall be applied to the redemption of Notes on the required sinking fund redemption date for such required sinking fund payment.</p>
Optional Redemption	<p>The Notes will be redeemable in amounts of at least \$100,000 at the option of the Company, in whole or in part, at any time on not less than 15 days notice, at an amount equal to par plus accrued interest plus a "Make Whole Premium," if any, as defined herein. Beginning on the twentieth anniversary the redemption price will be 100.0% of the principal amount of the Notes to be redeemed.</p>

Fitchburg Gas and Electric Light Company Summary of Principal Terms

Make Whole Premium

Make Whole Premium shall be defined as the difference (not to be less than zero) between (a) the present value of the expected future cash flows from the Notes (minus any accrued interest) discounted at a rate equal to the then-current Treasury Note yield corresponding closest to the remaining weighted average life on the Notes calculated at the time of the prepayment plus 50 basis points, and (b) the Principal Amount outstanding.

Financial Covenants

Limitations on Funded Indebtedness

The Company and its Subsidiaries may incur additional Funded Indebtedness only if after giving effect to the intended application of the proceeds thereof (i) on a consolidated basis, total Funded Indebtedness would not exceed 65% of Total Capitalization and (ii) Earnings Available for Interest for at least twelve consecutive calendar months out of fifteen months immediately preceding the proposed creation of the Funded Indebtedness shall have been not less than two times all interest for which the Company and its Subsidiaries will annually thereafter be obligated on account of all Funded Indebtedness to be outstanding immediately thereafter, in each case after giving effect to the application of the proceeds of such Funded Indebtedness.

Subsidiary Indebtedness

The Company will not permit any Subsidiary to incur any Funded Indebtedness if after giving effect thereto, the aggregate amount of Funded Indebtedness of all Subsidiaries shall exceed 20% of the sum of total common stock equity, preferred stock and preference stock as presented in accordance with GAAP on a consolidated balance sheet of the Company as of such date.

Limitation on Liens (Negative Pledge)

The Company will not, nor will it permit any of its Subsidiaries to, directly or indirectly, create, assume or suffer to exist, except in favor of the Company, any lien upon any of its properties or assets, real or personal, whether now owned or hereafter acquired, or upon any income or profits therefrom without making effective provision whereby the Notes then outstanding shall be secured by such lien equally and ratably with any and all other secured obligations except for certain liens as expressly permitted by the Note Purchase Agreement including, currently existing liens, liens securing indebtedness not exceeding \$5,000,000, purchase money mortgage or other type of similar liens to secure or provide for the payment of the purchase or construction of property, refunding or extensions of existing liens, deposits, pledges or liens to secure payments of worker's compensation, unemployment insurance or similar type liens, deposits, pledges or liens to secure the performance of bids, tenders, contracts or leases, mechanics or workmen's type liens, deposits or pledges, judgment liens, deposits or pledges with respect to which the Company or the relevant Subsidiary is prosecuting in good faith, liens for taxes not yet subject to penalties, deposits, pledges or liens to secure public or statutory obligations, surety, stay or appeal bonds, minor survey exceptions, or minor encumbrances, easements or reservations of, or rights of others for rights of way, sewers, electric lines and telephone lines, liens in connection with the lease of conversion burners, water heaters and other similar liens, liens in connection with the financing of

Fitchburg Gas and Electric Light Company

Summary of Principal Terms

gas, other fuel inventories and other similar liens, and liens on property acquired through merger, consolidation, or purchase of assets.

Mergers and Consolidations and Sales of Assets

Sales of generating assets and power purchase entitlements as provided for in the Company's restructuring plan approved by the Massachusetts Department of Telecommunications and Energy will be permitted without the consent of the Noteholders. Other mergers, consolidations and sales of assets will be permitted only if at the time, no default with respect to the Notes exists and the resulting or continuing corporation shall agree to comply with and become subject to the terms of the Note Agreement and the Notes.

Restrictions on Dividends

The Company will not declare dividends (other than on its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of or make any distribution, through reductions of capital stock or otherwise, in respect of any shares of its common stock, if, after giving effect to such distribution, the aggregate of (x) all such distributions declared, paid, made or applied subsequent to December 31, 2002, plus (y) all dividends, distributions and other charges against net income on account of preferred stock of the Company after the said date shall exceed the amount of the Company's Net Income accumulated after December 31, 2002, plus the sum of \$5,100,000.

Maintenance of Insurance

The Company will insure to a reasonable amount with reputable insurance companies its properties against loss by fire and other causes or, in lieu thereof, it will maintain a system or systems of self-insurance which will accord with the approved practices of companies owning properties of a similar character and maintaining such systems.

Other Covenants

Customary non-financial covenants for a senior note financing, including:

- a. maintenance of properties;
- b. payment of taxes;
- c. maintenance of corporate existence, licenses and permits;
- d. compliance with laws and regulations; and
- e. limitation on transactions with affiliates.

Approval

The sale of the Notes is subject to the approval of the Massachusetts Department of Telecommunications and Energy and such other regulatory authorities as may have jurisdiction.

Fees and Expenses

The Company will pay for all reasonable fees and expenses of the transaction including the reasonable fees and expenses of lenders' special counsel.

Fitchburg Gas and Electric Light Company
Summary of Principal Terms

FG&E
D.T.E. 03-72
Schedule I
Page 4 of 5

Rights of Inspection

Lenders, at their own expense and upon reasonable notice, may visit the Company and its accountants during customary business hours to inspect the Company's records and to discuss its operating results and financial position.

Financial Statements

The Company will provide to the Noteholders:

1. quarterly (unaudited) consolidated financial statements within 90 days after the end of each of the first three such quarterly periods, certified by an authorized officer;
2. quarterly (unaudited) consolidated financial statements of Unitil Corporation within 90 days after the end of each of the first three such quarterly periods;
3. annual (audited) consolidated financial statements within 120 days after the end of each fiscal year;
4. annual (audited) consolidated financial statements of Unitil Corporation within 120 days after the end of each fiscal year; and
5. quarterly and annual compliance certificates, certified by an authorized officer of the Company.

Representations and Warranties

Customary representations and warranties for a senior note financing.

Defaults

Events of Default include not only defaults in the payment of interest or principal due, but also defaults in the performance or observance of any covenants, agreements or conditions of the Note Purchase Agreement and the continuance thereof for 30 days after written notice.

General

The Notes will be issued pursuant to a Note Purchase Agreement in a form mutually agreeable to the Company and the purchasers. Counsel for the Company will provide an initial draft of the documents.

Private Placement Agent

Merrill Lynch & Co.

Governing Law

Massachusetts.

Definitions

Earnings Available for Interest

Shall mean the amount by which the sum of operating revenues, allowances for funds used during construction and net non-operating income, as set forth on a consolidated statement of earnings of the Company for such period, exceeds the sum of operating expenses (including taxes and adequate and reasonable allowances for maintenance, depreciation and retirement of properties and adequate provision for depletion, obsolescence and amortization of properties, but not including any Federal or State taxes based on income in the computation), as set forth on such a consolidated statement of earnings for such period.

Fitchburg Gas and Electric Light Company Summary of Principal Terms

Funded Indebtedness

All indebtedness for borrowed money of the Company and its Subsidiaries payable more than one year from the date as of which Funded Indebtedness is being determined, and all indebtedness payable within such year which may be renewed or extended beyond such year pursuant to the terms of the agreement or instrument under which such indebtedness was incurred, but there shall be excluded sinking fund, serial maturity, periodic installment and amortization payments on account of indebtedness which are required to be made within such year. Funded Indebtedness does not include: (a) obligations under contracts for the purchase by it of gas and electric power, including transmission charges, (b) pension and benefit obligations, whether or not absolute or contingent or included, in accordance with GAAP, in determining total liabilities on the balance sheet, (c) obligations under capital and operating leases, and (d) obligations relating to the sale of generating assets and power purchase entitlements as provided for in the Company's restructuring plan filed with the Massachusetts Department of Telecommunications and Energy.

Lien

Shall mean as to any entity, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance in or on, or interest or title or any vendor, lessor, lender or other secured party to or of the entity under conditional sale or other title retention agreement or capital lease with respect to, any property or asset of the entity.

Net Income (Deficit)

The amount of net income (or deficit) of the Company and its Subsidiaries for the period in question transferred to the retained earnings account on the books of the Company, as determined in accordance with GAAP, on a consolidated basis.

Subsidiary

Shall mean any corporation of which such first mentioned corporation at the time owns, directly or through any intervening medium, that number of shares of voting stock which has power to elect a majority of the board of directors.

Total Capitalization

At any date means the sum of (x) Funded Indebtedness, and (y) the aggregate amount for total common stock equity, preferred stock and preference stock as presented in accordance with GAAP on a consolidated balance sheet of the Company as of such date. Such Total Capitalization shall be exclusive of Accumulated Other Comprehensive Income derived from pension and benefit obligations.